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ANNUAL AUDITED REPORT FORM X-17A-5 FEB 29 2012 **PART III**

Wasldington, DC

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING_	01/01/11 _{AND I}	ENDING 12/3	31/11	
REPORT FOR THE PERIOD BEGINNING_	MM/DD/YY		MM/DD/YY	
A. REC	GISTRANT IDENTIFICATION			
NAME OF BROKER-DEALER: Mercer A	llied Company, L.P.		OFFICIAL USE ONI	LY
ADDRESS OF PRINCIPAL PLACE OF BUS	SINESS: (Do not use P.O. Box No.)		FIRM I.D. NO.	
321 Broadway				
	(No. and Street)			
Saratoga Springs,	New York	12	2866	
(City)	(State)	(Zip	Code)	
NAME AND TELEPHONE NUMBER OF PRINCIPLE STREET STREE	ERSON TO CONTACT IN REGARD	TO THIS REPO	PRT	
Morard Bottom		(A	area Code – Telephone Nun	nber
B. ACC	COUNTANT IDENTIFICATION	N		
INDEPENDENT PUBLIC ACCOUNTANT OF Pricewaterhouse Coopers LLP	whose opinion is contained in this Rep	ort*		
	(Name - if individual, state last, first, middle	name)		
300 Madison Avenue	New York,	NY	10017	
(Address)	(City)	(State)	(Zip Code)	
CHECK ONE:		SECURITIES AND	EXCHANGE COMMISSION CEIVED	
Certified Public Accountant		1		
☐ Public Accountant		FEB	2 9 2012	
☐ Accountant not resident in Un	ited States or any of its possessions.			_
	FOR OFFICIAL USE ONLY	REGISTR	ATIONS BRANCH	4
		02		

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

Ι, •	John J.	J. Collins III	, swear (or affirm) that, to the best of
•		owledge and belief the accompanying financial statement and so Allied Company, L.P.	
of	Februa	ruary 28 , 20 12 ,	are true and correct. I further swear (or affirm) that
nei	ther th	the company nor any partner, proprietor, principal officer or of	
cla	ssified	ed solely as that of a customer, except as follows:	
		Cindy A. Zaccaria	
		Notary Public	11 100 - 10
		State of New York	gu Collis de
	P3. 10	ualified in Saratoga County	Signature
	⊸∦Uč	ualliled in Jaratoga Joans	urer
	₹ Co	Comm. Expires Oct. 31, 2014	Title
1	in	Notary Public	
Thi	is repo	port ** contains (check all applicable boxes):	
X		Facing Page.	
X	` '	Statement of Financial Condition.	
X	, ,	Statement of Income (Loss).	
X		Statement of Changes in Financial Condition.	
		Statement of Changes in Stockholders' Equity or Partners' or Statement of Changes in Liabilities Subordinated to Claims of	
		Computation of Net Capital.	r Creditors.
\mathbf{x}		Computation of Net Capital. Computation for Determination of Reserve Requirements Pur	suant to Rule 15c3-3.
$\overline{\Box}$		Information Relating to the Possession or Control Requirement	
X		A Reconciliation, including appropriate explanation of the Con	
		Computation for Determination of the Reserve Requirements	
		A Reconciliation between the audited and unaudited Statemer	its of Financial Condition with respect to methods of
ייפו	-	consolidation.	
X	` '	An Oath or Affirmation.	
		A copy of the SIPC Supplemental Report.	Country have emissed aims at a data after a marris 114
N.	(n) A	A report describing any material inadequacies found to exist or	toung to nave existed since the date of the previous audit.

^{**}For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Mercer Allied Company, L.P.

Financial Statements and Supplemental Schedules
Pursuant to Rule 17a-5 of the
Securities and Exchange Commission
December 31, 2011



Mercer Allied Company, L.P. Financial Statements and Supplemental Schedules

Financial Statements and Supplemental Schedules Pursuant to Rule 17a-5 of the Securities and Exchange Commission December 31, 2011

Mercer Allied Company L.P. Index

December 31, 2011

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Report of Independent Auditors

To the Partners of Mercer Allied Company, L.P.:

ricewaterhouseloopers LIP

In our opinion, the accompanying statement of financial condition and the related statements of earnings, changes in partners' capital, and cash flows present fairly, in all material respects, the financial position of Mercer Allied Company, L.P. (the "Partnership") at December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 4 to the financial statements, the Partnership has had significant transactions with related parties.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

February 28, 2012

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Mercer Allied Company, L.P. Statement of Financial Condition As of December 31, 2011

Assets	
Cash	\$ 5,818,480
Commissions receivable	1,978,352
Prepaid expenses	477,499
Total assets	\$ 8,274,331
Liabilities and partners' capital	
Other liabilities and accrued expenses	\$ 29,235
Due to Parent and affiliates	2,821,746
Income taxes payable	 531,330
Total liabilities	3,382,311
Partners' capital	 4,892,020
Total liabilities and partners' capital	\$ 8,274,331

Mercer Allied Company, L.P. Statement of Earnings For the Year Ended December 31, 2011

Revenues Brokerage commissions	\$ 20,527,413
Operating expenses Administrative charges - affiliates Licenses Professional fees	12,637,770 831,027 67,758
	13,536,555
Pre-tax earnings	6,990,858
Provision for taxes	2,791,778
Net earnings	\$ 4,199,080

Mercer Allied Company, L.P. Statement of Changes in Partners' Capital For the Year Ended December 31, 2011

	_	eneral Partner	Limited Partner	Total
Balance, December 31, 2010	\$	36,930	\$ 3,656,010	\$ 3,692,940
Net earnings Distributions		41,991 (30,000)	4,157,089 (2,970,000)	4,199,080 (3,000,000)
Balance, December 31, 2011	\$	48,921	\$ 4,843,099	\$ 4,892,020

4

Mercer Allied Company, L.P. Statement of Cash Flows For the Year Ended December 31, 2011

Cash flows from operating activities	
Net earnings	\$ 4,199,080
(Increase) decrease in operating assets:	
Commissions receivable	(1,958,354)
Prepaid expenses	(65,878)
Increase (decrease) in operating liabilities:	
Other liabilities and accrued expenses	810
Due to Parent and affiliates	2,343,083
Income taxes payable	 (56,202)
Net cash provided by operating activities	4,462,539
Cash flows from financing activities	
Distributions	(3,000,000)
Net cash used in financing activities	 (3,000,000)
Net increase in cash	1,462,539
Cash, beginning of year	 4,355,941
Cash, end of year	\$ 5,818,480

Supplemental Disclosure:

Cash payments for income taxes for the year were \$2,847,980.

Mercer Allied Company, L.P. Notes to Financial Statements December 31, 2011

1. Description of Business

Mercer Allied Company, L.P. (the "Partnership") is a limited partnership which executed its Certificate of Limited Partnership in the State of Delaware as of October 5, 1994. The Partnership, which commenced operations on December 10, 1994, and is a securities broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") that refers clients of affiliated companies to clearing U.S. brokers and receives a portion of the commission or fee earned by those brokers (brokerage commissions). The Partnership is scheduled to expire December 31, 2044. Further, the Partnership, through employees of affiliated companies, places variable life insurance policies and variable annuities with insurance carriers and earns a commission.

GS Ayco Holding LLC ("Parent") is the general partner of the Partnership and an indirect wholly-owned subsidiary of the Goldman Sachs Group, Inc. ("Group Inc"). The Ayco Company, L.P. is the limited partner of the Partnership.

2. Basis of Presentation and Significant Accounting Policies

These financials are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

Preparation of these financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on the best available information but actual results could be materially different.

Cash

Cash balances are maintained at two institutions, each of which is insured by Federal Deposit Insurance ("FDI") up to \$250,000. The aggregate bank balances at these institutions in excess of FDI by approximately \$5,318,480 at December 31, 2011.

Revenue Recognition

The Partnership records brokerage commission revenues for placing business with clearing brokers and revenues are recognized when earned. Brokerage commission revenue for placing insurance policies with insurance carriers is earned when the insurance policy becomes effective (insurance binder in place) and the premium has been collected by the insurance carrier.

3. Amended and Restated Limited Partnership Agreement

Allocations of income and losses are generally 99% to the limited partner and 1% to the general partner, except in certain circumstances (as outlined in the amended and restated limited partnership agreement) whereby income and loss allocations are based on a prescribed formula.

4. Related Party Transactions

The Partnership has significant transactions with related entities. These transactions have a significant impact on the Partnership's financial position, earnings and cash flows. Whether the terms of these transactions would have been the same had they been between nonrelated entities cannot be determined.

Mercer Allied Company, L.P. Notes to Financial Statements December 31, 2011

The Partnership, through employees of affiliated companies, places insurance policies for clients with insurance carriers and earns brokerage commissions. The Partnership also refers clients of affiliated companies to clearing brokers and receives brokerage commissions. Total brokerage commissions earned through affiliated companies for the year ended December 31, 2011 aggregated \$20,527,413.

The Partnership, which has no employees, is provided office space, facilities and operational and administrative support by the Parent and other affiliates, for which the partnership was charged \$12,637,770, of which \$4,822,203 related to commissions expense. At December 31, 2011, amounts due to Parent and affiliates for such services aggregated \$2,821,746 (see Note 6).

5. Net Capital Requirements

The Partnership is a registered U.S. broker-dealer subject to Rule 15c3-1 of the Securities and Exchange Commission ("SEC"), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. There are restrictions on operations if aggregate indebtedness exceeds ten times net capital.

Effective July 1, 2003, the National Association of Securities Dealers (NASD) approved the Partnership's election to reduce its minimum dollar net capital requirement from \$50,000 to \$5,000. At December 31, 2011, the Partnership had net capital of \$2,436,169, which was \$2,210,681 in excess of its minimum required net capital of \$225,488.

The Partnership is in compliance with the exemptive provisions of Rule 15c3-3 (k) (ii) of the SEC as the Partnership continues to promptly transmit all funds received in connection with its activities as a broker-dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.

6. Income Taxes

Income taxes are provided for using the asset and liability method under which deferred tax assets and liabilities are recognized for temporary differences between the financial reporting and tax bases of the Partnership's assets and liabilities. The Partnership reports interest expense related to income tax matters in "Provision for taxes" and income tax penalties under "Operating expenses" in the statement of earnings.

The Partnership has elected to be taxed as a corporation for U.S. Federal income tax purposes. As a corporation for tax purposes, the Partnership is subject to U.S. federal and various state and local income taxes on its earnings. The Partnership is included with Goldman Sachs Group, Inc. and subsidiaries in a consolidated federal corporate tax return as well as consolidated and combined state and local tax returns. The Partnership computes its tax provision as if it filed tax returns on a modified separate company basis and settles any liabilities with affiliates pursuant to a tax sharing policy. The Partnership's income tax liabilities are presented as a component of "Income taxes payable" in the statement of financial condition.

The table below presents the components of the provision for taxes.

Current taxes:

U.S. Federal State and local 2,197,685 594,093

Provision for taxes

\$ 2,791,778

Mercer Allied Company, L.P. Notes to Financial Statements December 31, 2011

The difference between the reported provision for taxes and the amount computed by multiplying pretax earnings by the federal statutory rate is primarily attributable to state and local taxes. The tax true up for prior years was a net tax benefit of \$45,776.

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities. These temporary differences result in taxable or deductible amounts in future years and are measured using the tax rates and laws that will be in effect when such differences are expected to reverse. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized. At December 31, 2011, no deferred tax liabilities or deferred tax assets were recognized and no valuation allowance was required, and there was no change in the valuation allowance during the year.

The Partnership recognizes tax positions in the financial statements only when it is more likely than not that the position will be sustained upon examination by the relevant taxing authority based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for differences between positions taken in a tax return and amounts recognized in the financial statements. As of December 31, 2011, the Partnership did not record a liability related to accounting for uncertainty in income taxes.

The Partnership as part of the Parent's consolidated tax filing is subject to examination by U.S. Internal Revenue Service (IRS) and other state and local taxing authorities, such as New York. All corporate tax filing years subsequent to and including 2005 for U.S. Federal and 2004 for New York State remain open to examination by the taxing authorities. The Partnership believes that the resolution of the above tax exams will not have a material effect on the Partnership's financial condition, results of operations or cash flows.

7. Subsequent Events

Management has evaluated whether any events or transactions occurred subsequent to the date of the statement of financial condition through February 28, 2012 and determined that there were no material events or transactions that would require recognition or disclosure in these financial statements.

Mercer Allied Company, L.P.

Schedule I

Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2011

Net capital Total partners' capital Deductions Nonallowable assets - commissions receivable and prepaid expenses	\$	4,892,020 (2,455,851)
Net capital	\$	2,436,169
Aggregate indebtedness Total aggregate indebtedness liabilities (included in the Statement of Financial Condition)	<u> </u>	3,382,311
Total aggregate indebtedness	\$	3,382,311
Percentage of aggregate indebtedness to net capital	<u> </u>	139%
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)		-
Computation of basic net capital Minimum net capital required (6-2/3% of aggregate indebtedness)	\$	225,488
Minimum dollar net capital requirement of reporting broker or dealer	\$	5,000
Net capital requirement	\$	225,488
Excess net capital	\$	2,210,681
Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	\$	2,097,938

Statement pursuant to paragraph (d)(4) of Rule 17a-5

There are no material differences between this computation and the corresponding computation in the unaudited Part II Focus Report of December 31, 2011, filed on January 25, 2012.

Mercer Allied Company, L.P.
Schedule II
Computation for Determination of Reserve Requirements and Information
Relating to the Possession or Control Requirements Under 15c3-3
December 31, 2011

EXEMPTION UNDER SEC RULE 15c3-3 SECTION (k)(2)(ii) HAS BEEN CLAIMED.

The Partnership promptly transmits all funds received in connection with its activities as a broker-dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.



Report of Independent Accountants

To the Partners of Mercer Allied Company, L.P.

In accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of the Securities Investor Protection Corporation (SIPC) of Mercer Allied Company, L.P. (the "Firm") for the year ended December 31, 2011, which were agreed to by the Firm, the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the Securities Investor Protection Corporation (collectively, the "specified parties") solely to assist the specified parties in evaluating the Firm's compliance with the applicable instructions of Form SIPC-7 during the year ended December 31, 2011. Management is responsible for the Firm's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and our findings are as follows:

- 1. Compared the listed assessment payments on page 1, items 2B and 2F of Form SIPC-7 with the respective cash disbursement records entries, as follows: the amount on 2B of \$20,269 was paid with check #055851 dated July 22, 2011 and the amount on 2F of \$31,050 was paid with check #000089 dated January 13, 2012, for a total assessment payment of \$51,319. We did not observe any differences.
- Compared the sum of Total Revenue reported on page 3 of the audited Form X-17A-5 filed for the year ended December 31, 2011 to the Total Revenue amount of \$20,527,413 reported on page 2, item 2a of Form SIPC-7 for the year ended December 31, 2011. We did not observe any differences.
- 3. Observed no adjustments reported on page 2, items 2b and 2c of Form SIPC-7.
- 4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 as follows:
 - a. Recalculated the mathematical accuracy of the SIPC Net Operating Revenues on page 2, line 2d and the General Assessment @ .0025 on page 2, line 2e of \$20,527,413 and \$51,319 of the Form SIPC-7. We did not observe any differences.



We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Firm's preparation of Form SIPC-7 in accordance with the applicable instructions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Firm, the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the Securities Investor Protection Corporation and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

February 28, 2012

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION P.O. Box 92185 Washington, D.C. 20090-2185 202-371-8300

General Assessment Reconciliation

For the fiscal year ended <u>December</u>, 20 <u>11</u> (Read carefully the instructions in your Working Copy before completing this Form)

(33-REV 7/10)

TO BE FILED BY ALL SII 1. Name of Member, address, Designated Examining At	. •	-	
purposes of the audit requirement of SEC Rule 17a-5: 047739 FINRA DEC MERCER ALLIED COMPANY LP 14*14 ATTN: MAE CAVOLI 321 BROADWAY SARATOGA SPRINGS NY 12866-4110		mailing labe any correcti indicate on Name and t contact resp	of the information shown on the el requires correction, please e-mail ons to form@sipc.org and so the form filed. elephone number of person to becting this form.
 2. A. General Assessment (item 2e from page 2) B. Less payment made with SIPC-6 filed (exclude integration) 	erest)		\$ <u>51,319</u> (<u>20,269</u>)
Date Paid C. Less prior overpayment applied D. Assessment balance due or (overpayment)			(
 E. Interest computed on late payment (see instructing for the computed on late payment (see instructing for the computed of the computed for the compu		d)	<u>0</u> \$ 31,050
H. Overpayment carried forward	\$(0	.)
The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete. Dated the 19th day of January, 2012. This form and the assessment payment is due 60 day for a period of not less than 6 years, the latest 2 years.	Mercen (Na Chief Con	Allied Come of Corporation, Party (Authorized Matherized (Tilescal year. Retain	ership or piher organization) Signature) Officer (11e)
Б	Reviewed Documentation		Forward Copy
Exceptions: Disposition of exceptions:			

DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period beginning $J_{\Delta \Omega} / J_{\Delta \Omega} / J_{\Delta$

Item No. 2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)	Eliminate cents \$ 20,527 413
2b. Additions:	
(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.	
(2) Net loss from principal transactions in securities in trading accounts.	0
(3) Net loss from principal transactions in commodities in trading accounts.	0
(4) Interest and dividend expense deducted in determining item 2a.	0
(5) Net loss from management of or participation in the underwriting or distribution of securities.	
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.	
(7) Net loss from securities in investment accounts.	
Total additions	
Deductions: (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.	
(2) Revenues from commodity transactions.	0
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.	0
(4) Reimbursements for postage in connection with proxy solicitation.	
(5) Net gain from securities in investment accounts.	
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.	
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).	<u></u>
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):	O
(Deductions in excess of \$100,000 require documentation)	
(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.	
(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).	
Enter the greater of line (i) or (ii)	
Total deductions	<u>()</u>
d. SIPC Net Operating Revenues	\$ <u>20,527,413</u>
e General Assessment @ 0025	s 51,319

(to page 1, line 2.A.)

}d.



Report of Independent Auditors on Internal Control Required by SEC Rule 17a-5

To the Partners of Mercer Allied Company, L.P.:

In planning and performing our audit of the financial statements of Mercer Allied Company, L.P. (the "Partnership") as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Partnership including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Partnership does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Partnership in any of the following:

- 1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
- 2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Partnership is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Partnership has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Partnership's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2011 to meet the SEC's objectives.

This report is intended solely for the information and use of the Partners, management, the SEC, the Financial Industry Regulatory Authority, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

ricewaterhouse Coopers LLP

February 28, 2012



MIX
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responsible sources
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